

Decision 16-09-006 September 15, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison
Company (U338E) for Approval of the
Results of Its 2015 Preferred Resources Pilot
Request for Offers.

Application 15-12-013
(Filed December 15, 2015)

**DECISION APPROVING THE APPLICATION OF SOUTHERN CALIFORNIA
EDISON COMPANY FOR TWO SOLAR PHOTOVOLTAIC PROJECTS**

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DECISION APPROVING THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR TWO SOLAR PHOTOVOLTAIC PROJECTS

Summary

This decision approves the results of Southern California Edison Company's (SCE's) 2015 Preferred Resources Pilot Distributed Generation Request for Offers, and authorizes SCE to recover in rates payments made pursuant to two power purchase agreements with SunEdison for in front of the meter solar photovoltaic projects for a total of approximately 2.2 megawatts.

Application 15-12-013 is closed.

1. Factual and Procedural Background

On December 15, 2015, Southern California Edison Company (SCE) filed Application (A.) 15-12-013, requesting that the Commission approve the results of its 2015 Preferred Resources Pilot (PRP) Distributed Generation (DG) Request for Offers (RFO). SCE launched the PRP DG RFO in November 2014 as a standalone procurement mechanism to solicit offers specifically for in-front-of-the-meter distributed generation in the PRP region. After a yearlong selection process, on November 25, 2015, SCE executed two power purchase agreements (PPAs) with SunEdison for a combined 2.2 megawatts (MWs) of in-front-of-the-meter solar photovoltaic (PV) projects.

SCE has not previously sought Commission approval for the PRP, and did not do so here. The scope of its Application is limited to requesting Commission authorization to recover in rates its payments made pursuant to these two PPAs.

On January 21, 2016, the Office of Ratepayer Advocates (ORA) filed a protest to SCE's Application, raising additional issues to be considered as part of the proceeding. SCE replied to the protest on February 1, 2016. The Commission held a prehearing conference on February 29, 2016, and issued a Scoping Memo

and Ruling of Assigned Commissioner and Administrative Law Judge (ALJ) on March 4, 2016. In this scoping memo, the Commission asked SCE to respond to nine questions in supplemental testimony in order to provide additional information about the context for the PRP DG RFO and the PPAs.

SCE filed a notice of an ex parte communication consisting of a slide deck on the PRP on March 9, 2016, and filed supplemental testimony responding to the scoping memo questions on March 25, 2016. ORA filed testimony on April 15, 2016, and SCE filed rebuttal testimony on April 25, 2016.

In parallel with this proceeding, the Commission held a workshop on March 28, 2016, regarding a proposed competitive solicitation framework for integrated distributed energy resources (IDERs) in Rulemaking (R.) 14-10-003. Participants in this proceeding, as well as other related proceedings, received notice of the workshop.

On April 29, 2016, the ALJ issued an email ruling granting scheduling and procedural changes that allowed the parties to submit briefs and move existing testimony into the record in lieu of holding evidentiary hearings. On May 24, 2015, both SCE and ORA filed motions to move existing testimony into the formal record of proceeding, and concurrently moved to seal confidential portions of the evidentiary record. On May 27, 2016, the parties filed their respective opening briefs, and ORA moved to file the confidential version of its brief under seal.

1.1. SCE's Request

The PRP region is located in Orange County around the Johanna and Santiago substation areas. SCE identified this geographic area as critical from a local energy and reliability perspective as a result of the retirement of the San Onofre Nuclear Generating Station (SONGS) in 2012, as well as the

anticipated retirement of nearby ocean-cooled power plants.¹ SCE states that load in the PRP region is forecasted to grow by approximately 30 MWs per year through 2022.² SCE launched the PRP in 2013 with the goal of identifying, by 2018, its ability to meet these local needs through a mix of preferred resources, including in-front-of-the-meter DG.³

SCE has since acquired and deployed resources to support the goals of the PRP through existing procurement mechanisms and Commission programs, including the 2013 Local Capacity Requirements Request for Offers for the Western Los Angeles Basin (LCR RFO), the Solar Photovoltaic Program RFO 4 (SPVP 4), and various customer programs.⁴ However, according to SCE, these mechanisms have not been successful in obtaining contracts for in-front-of-the-meter DG resources. SCE states that they encouraged bidders in these solicitations, as well as in its Renewable Portfolio Standards (RPS) and Renewable Auction Mechanism (RAM) solicitations, to submit these types of projects, but only received one viable offer.⁵ As a result of this deficit, SCE

¹ Testimony of SCE, at 2: line 1- line 7.

² *Id.*, at 2: line 9- at 3: line 3.

³ In contrast to “behind the meter” systems, whose performance cannot be easily quantified because the utility typically only receives meter data on “net” customer usage, in front of the meter DG resources are desirable in a diverse portfolio because they can be metered. They can also be designed for curtailment capabilities and time of delivery (TOD) specifications. Most residential rooftop solar installations are behind the meter resources. (*See id.*, at 3: line 12 – line 15.)

⁴ *Id.*, at 3: line 4- line 9. In Footnote 7, SCE explains that it “limited the definition of ‘preferred resources’ to clean resources, such as energy efficiency (EE), demand response (DR), and renewable distributed generation resources.”

⁵ SCE Concurrent Opening Brief at 12.

separately issued the PRP DG RFO to specifically solicit in front of the meter DG projects in the PRP region.⁶

To meet the eligibility requirements of the PRP DG RFO, projects had to be qualified as new-build eligible renewable energy resources, at least 250 kilowatts (KW) in size, with the ability to interconnect at the distribution level to the Johanna or Santiago substations, and with a commercial operation date on or before December 31, 2017.⁷ SCE later changed the commercial operation date deadline to March 31, 2018.⁸ Although SCE initially required a minimum project size of 500 KWs, it represents that the minimum project size was reduced in response to feedback from developers about barriers to finding installation sites.⁹ In order to increase participation, SCE also states that it reduced its requirement for projects to have a Fast Track interconnection approval to only require a completed interconnection application.¹⁰

SCE hosted two Bidders' Conferences with more than 90 participants and posted answers to bidders' questions online.¹¹ Ultimately, SCE received seven offers in response to the PRP DG RFO. Three of these offers did not qualify as ERRs and therefore did not conform to the RFO requirements. The remaining four offers were for in-front-of-the-meter solar PV projects, each mounted on a combination of existing building rooftops and carports to be

⁶ Testimony of SCE, at 3: line 10- at 4: line 3.

⁷ *Id.*, at 4: line 1- line 9.

⁸ Supplemental Testimony of SCE, at 5: line 16.

⁹ SCE Concurrent Opening Brief at 6.

¹⁰ Testimony of SCE, at 12: line 7- line 13.

¹¹ SCE Concurrent Opening Brief at 6.

constructed adjacent to existing buildings.¹² SCE evaluated the eligible offers using Least-Cost Best-Fit (LCBF) methodology criteria set forth by the Commission,¹³ and ultimately selected and executed contracts for two projects with Sun Edison (the PPA projects). The projects, Bell Tustin and Red Hill, are 1,131 KWs and 1,036 KWs in size respectively, and will consist of a combination of rooftop and carport installations. Both projects interconnect to circuits that connect to the Johanna substation.¹⁴

1.2. SCE's Supplemental Testimony

As part of the Scoping Memo issued March 4, 2016, the Commission required SCE to answer nine questions in supplemental testimony.¹⁵ The

¹² Testimony of SCE, at 12: line 14- line 21.

¹³ See Decision (D.) 03-06-071 and D.04-07-029.

¹⁴ Testimony of SCE, at 14: line 1- line 4.

¹⁵ The specific questions to which the Commission directed SCE to respond are as follows:

1. Describe the relationship of the DG RFO to the overall PRP effort and design. Response to this question may include any progress reports or other documents associated with the DG RFO or the PRP generally.
2. Describe the relevant PRP metrics used to evaluate the proposed PPAs and whether the projects meet the local area needs.
3. Explain whether and how SCE intends to bring in future applications that relate to the PRP, including whether or not SCE intends to seek authorization for the overall PRP program from the Commission in the future.
4. Describe the relationship of the DG RFO to SCE's RPS solicitations.
5. Describe why the DG RFO was conducted separately from the Renewable Auction Mechanism (RAM) or Solar Photovoltaic Program (SPVP) solicitations. In particular, describe the benefits from SCE's perspective of having this separate RFO.
6. Describe the similarities and differences between the DG RFO PPAs proposed in this application and the required RAM and SPVP pro forma contracts.
7. Describe the relationship of the DG RFO in general, and the Sun Edison PPAs in particular, to Electric Program Investment Charge (EPIC) activities.

Footnote continued on next page

purpose of this request was to inform the Commission's decision in this proceeding with additional information about the context for the RFO and the PPA contracts.

SCE's responses are summarized below:

SCE represents that the PRP is an internal effort for which SCE does not intend to seek Commission approval. Although SCE anticipates that it will need to acquire additional resources to support the PRP, it does not intend to establish an ongoing PRP acquisition, which it believes would be duplicative of efforts associated with the Commission's IDER proceeding, R.14-10-003.¹⁶ Instead, SCE intends to primarily acquire resources to support the PRP through existing procurement mechanisms and Commission programs, including utility-managed energy efficiency and demand response programs, as well as customer solar incentives (such as SGIP [Self Generation Incentive Program] and NEM [Net Energy Metering]).¹⁷ To the extent that SCE procures resources through additional solicitations, it states that it would seek approval for those contracts based on the appropriate approval mechanisms, such as an advice letter for resources procured under SCE's RPS Procurement Plan.

SCE states that the next milestone for the PRP effort is to determine, by 2018, if it can acquire, deploy and measure the performance capabilities of a "diverse mix of preferred resources" in order to offset projected load growth in

8. Describe any funding overlaps, if any, between the proposed PPAs and the EPIC program.

9. Describe any lessons learned from this DG RFO in the PRP and where and how those lessons will be acted upon for future RFOs or other procurement efforts.

¹⁶ Supplemental Testimony of SCE, at 7: line 16- line 21.

¹⁷ *Id.*, at 7: line 6- line 15.

the PRP region through 2022.¹⁸ To date, SCE has acquired several types of preferred resources in the PRP region, including energy efficiency, demand response, behind-the-meter DG, and energy storage (both behind-the-meter and in-front-of-the-meter systems).¹⁹ SCE encouraged bidders in its RPS solicitations, as well as its RAM and SPVP solicitations, to submit offers for projects sited in the PRP region, but none of these solicitations yielded viable contracts for in-front-of-the-meter DG.²⁰ SCE therefore represents that it lacks data points on its ability to include those types of resources in the PRP mix.²¹

This dearth of in-front-of-the-meter DG motivated SCE to launch the PRP DG RFO and specifically solicit projects of that nature. Eligibility requirements for the RFO included such PRP-specific criteria as the ability for projects to interconnect to either the Johanna or Santiago substations, qualification as a new-build eligible renewable energy resource, and a forecasted commercial operation date on or before March 31, 2018. To evaluate bids, SCE used the LCBF analysis recommended by the Commission, which is not specific to the PRP DG RFO.

SCE states that it modeled the PPA pro forma contracts used in this RFO after the contracts used in its RAM 5 procurement, from which the pro formas used in its SPVP procurement were also adapted. SCE made some PRP-specific modifications, such as including a commercial operation deadline that would

¹⁸ Supplemental Testimony of SCE, at 3: line 7- line 13.

¹⁹ *Id.*, at 4: Table II-1.

²⁰ *Id.*, at 8: line 7- line 21.

²¹ SCE signed a 1.4 MW PPA for the Santa Ana project through the SPVP 4 program, which would have counted towards in front of the meter DG resources in its portfolio. However, that contract has since terminated. (*See id.*, at 3: line 14- at 4: line 5.)

align with PRP deadlines, removing a \$1,000,000 performance assurance minimum posting amount due to the small size of the projects, and removing the Resource Adequacy (RA) requirements because it was not necessary to achieve the PRP goals and could potentially deter projects from participating in the RFO.

In addition to selecting the PPA projects based on their location and ability to offset load growth in the PRP region, SCE states that it considered additional benefits in determining the outcome of the RFO. Although the SunEdison PPAs fall outside SCE's dedicated RPS procurement mechanisms, the projects meet RPS requirements and contribute towards SCE's RPS procurement goals.²²

In addition, the EPIC Investment Plan's Integrated Grid Project (IGP) is taking place within the PRP region around the Johanna substation area. The purpose of the IGP is to study and determine ways to optimize grid operations with respect to higher penetration of distributed energy resources (DERs). SCE argues that by bringing additional DERs online in the Johanna substation region, the SunEdison PPAs will support EPIC study goals by increasing the penetration of these resources in the IGP area. Since EPIC funds will be used to deploy the grid optimization technologies, but do not support the acquisition of DERs themselves, SCE states there is no funding overlap between the IGP and the PPAs.²³

SCE notes that the RFO has yielded additional benefits, such as added experience in procuring and expediting delivery of DG in localized areas, as well as assessing the cost of DG resources in urban areas.²⁴ SCE's lessons learned

²² *Id.*, at 8: line 7- line 21.

²³ *Id.*, at 13: line 1- at 14: line 9.

²⁴ *Id.*, at 10: line 5- line 20.

from the RFO included removing requirements for projects to have Fast Track interconnection approval, to avoid bottlenecks in the interconnection queue arising from a large number of small projects applying for interconnection approval in a localized area; and reducing or being sensitive to minimum size requirements due to challenges in finding large enough buildings with cooperative owners.²⁵

2. Motions to Seal Portions of the Evidentiary Record

On May 24, 2016, ORA and SCE separately filed motions for entry of testimony into the evidentiary record of this proceeding, pursuant to Rule 11.1 and Rule 13.8 of the Commission's Rules of Practice and Procedure (Rules). ORA filed confidential and public versions of its testimony. Concurrent with their motions for entry of testimony, ORA and SCE filed motions to seal a portion of the evidentiary record, pursuant to Rule 11.5(b). ORA moved for an order granting confidential treatment to the confidential version of its testimony. On May 25, 2016, SCE moved for confidential treatment of portions of its testimony.

On May 27, 2016, ORA also moved to file the confidential version of its brief under seal.

We grant SCE's and ORA's May 24, 2016 motions to move existing testimony into the record as set forth in the ordering paragraph.

Both parties have appropriately designated information in their testimony as confidential pursuant to the Commission's guidance in D.06-06-066. Accordingly, both ORA's and SCE's motions to seal portions of the evidentiary record are granted for a period of three years from the effective date of this

²⁵ *Id.*, at 15: line 5- at 16: line 4.

decision. ORA has also appropriately identified confidential information in its brief, and we grant its motion to file it under seal, also for a period of three years from the date of this decision.

3. Scope of Proceeding

As discussed at the prehearing conference held on February 29, 2016, and set forth in the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge issued March 4, 2016, the scope of issues for this proceeding focused on the following key threshold questions:

- Was the SCE PRP DG RFO conducted in a reasonable and fair manner?
- Are the PPAs RPS eligible and will they fulfill SCE's RPS Category 1²⁶ needs?
- Are the terms of the PPAs reasonable?
- Are the prices of the PPAs reasonable, compared to other similar projects procured under the RPS program or other procurement mechanisms?

4. Parties' Responses to Scoping memo Issues

In response to the four key issues set forth in the Scoping Memo for this proceeding, SCE asserts that its RFO process and eligibility requirements were fair and reasonable, and the terms of the resulting PPAs are reasonable as well in light of the projects' locational benefits to the PRP and compared to similar projects in the same location. SCE also points to the projects' consistency with state RPS goals and concurrent benefits to the EPIC IGP program as factors warranting Commission approval of the PPAs.

²⁶ As defined in Pub. Util. Code § 399.16(b)(1) and D.11-12-052.

ORA objects primarily to the cost of the PPAs as unreasonable, asserting that the PRP and its location-specific objectives do not justify the PPA price, which is higher than projects procured through SCE's RPS solicitations. ORA disagrees with comparing the price of the PPAs to that of a similar project in the same location, and argues that because the PPAs are more expensive than those procured through SCE's traditional RPS procurement mechanisms, and not necessary to meet SCE's RPS requirements, the Commission should deny SCE's Application.

We summarize the Parties' arguments on the issues in the sections below.

4.1. Was the SCE PRP DG RFO Conducted in a Reasonable and Fair Manner?

SCE asserts it conducted a fair and transparent process for bidders in the PRP DG RFO, and that it made reasonable modifications to the RFO requirements in response to market conditions in order to increase participation.²⁷ ORA does not dispute the fairness of SCE's conduct of the RFO process, but contends primarily that the PRP is outside the scope of this proceeding, and therefore SCE cannot use the PRP's objectives to justify the reasonableness of conducting the RFO in the first place.²⁸

Alternatively, ORA asserts that even if the PRP justifies SCE's launch of the RFO, SCE has not provided sufficient data for establishing that the PPA projects contribute towards the PRP objectives in a measurable or distinctive way.²⁹ SCE argues that the RFO evaluation criteria, which included location,

²⁷ SCE Concurrent Opening Brief at 5-6.

²⁸ ORA Brief (Public Version) at 20.

²⁹ *Id.* at 22.

qualification as a new-build renewable energy resource, and the ability to come online by March 31, 2018, as well as the LCBF analysis, are reasonable and sufficient to justify its selection of the PPA projects.³⁰

**4.2. Are the PPAs Renewable Portfolio
Standard Eligible and Will They
Fulfill SCE's RPS Category 1 Needs?**

The parties do not dispute that the PPA projects are RPS eligible, Category 1 resources. Rather, ORA argues that the contracts should not be approved because SCE is already on track to meet or exceed its RPS goals, and therefore the contracts are not necessary for SCE to reach its RPS targets.³¹ SCE concedes that it has already executed sufficient contracts to meet its RPS targets, but argues that the Commission should approve the PPA contracts in furtherance of the state's environmental goals.³²

SCE asserts that procuring additional RPS resources is important to create a "buffer" because deliveries under existing RPS contracts may not come to fruition, as well as because additional resources can be banked to satisfy future RPS goals. Moreover, SCE points out that the motivation for procuring the PPA projects was not to meet its RPS goals, but rather to fulfill the objectives of the PRP.³³ ORA contends that SCE's arguments about banking or creating a buffer do not justify approving the PPA contracts, because these objectives can be achieved through other, less expensive RPS projects.³⁴

³⁰ SCE Concurrent Opening Brief at 8; *see also* Testimony of SCE, Appendix G.

³¹ ORA Brief (Public Version) at 9-10.

³² SCE Concurrent Opening Brief at 10.

³³ *Id.* at 10-11.

³⁴ ORA Brief (Public Version) at 10.

4.3. Are the Terms of the PPAs Reasonable?

SCE asserts that terms of the executed PPAs are reasonably adapted from the standard pro forma contracts used for RAM 5 PPAs, with modifications made to reflect the smaller size of projects participating in the PRP DG RFO.³⁵ ORA does not present any objections to the specific terms of the SunEdison PPAs save for the prices, which it asserts are unreasonably high.

4.4. Are the Prices of the PPAs Reasonable, Compared to Other Similar Projects Procured Under the RPS Program or Other Procurement Mechanisms?

Both parties look to other projects procured by SCE to assess the reasonableness of the SunEdison PPA prices, but disagree over the appropriate comparison set. ORA asserts that the PPA prices are unreasonable compared to similarly sized RPS projects procured through SCE's Feed-in Tariff (FiT)/Renewable Market Adjusting (ReMAT) and RAM, which were "significantly less expensive" than the SunEdison PPAs.³⁶ SCE objects to a comparison based purely on project size, because it does not account for other attributes that impact contract price, such as technology, mounting type and location.³⁷ SCE also asserts that ORA's price comparisons are based on first year, base prices, and a more representative price comparison should be made from the full levelized term price.³⁸

³⁵ *Id.* at 7.

³⁶ *Id.* at 10-11.

³⁷ Rebuttal Testimony of SCE, at 4: line 7- line 15.

³⁸ *Id.*, at 6: line 1- line 13.

SCE asserts that the PPA prices are reasonable compared to the results of its SPVP 4, a procurement mechanism that included locational benefits to the PRP region in its selection criteria. The price of the Santa Ana project procured through SPVP 4 is close to that of the SunEdison PPAs.³⁹ ORA points out that the Santa Ana project was more expensive than other eligible projects bid into the SPVP 4 program, and would not have been selected had location not been a factor.⁴⁰ In response, SCE argues its consideration of locational benefits in the selection of the Santa Ana project is exactly what makes it analogous to and the appropriate price comparator for the SunEdison PPAs.⁴¹

Overall, SCE argues that the relatively higher price of the PPA contracts is justified because the projects will meet the objectives of the PRP program, in particular delivering locational benefits to the PRP region that its other procurement mechanisms did not provide.⁴² ORA contends in general that references to the PRP and its objectives as justification for the relatively higher price of the PPA contracts is inappropriate since the PRP and its merits are outside the scope of this proceeding.⁴³ SCE's position is that "discrete aspects of the PRP are within the scope of this proceeding" insofar as they are relevant to assessing the reasonableness of the PPA contracts.⁴⁴

5. Discussion

³⁹ SCE Concurrent Opening Brief at 14-15.

⁴⁰ ORA Testimony (Public Version), at 1-7: line 14- line 16.

⁴¹ SCE Concurrent Opening Brief at 14-15.

⁴² *Id.* at 14.

⁴³ ORA Brief (Public Version) at 7-8.

⁴⁴ Rebuttal Testimony of SCE, at 8: line 6- line 8.

As discussed in further detail in this section, we find that SCE has met its burden of proof to demonstrate that it conducted the PRP DG RFO in a fair and reasonable manner, and that the terms of the resulting PPA contracts with SunEdison are reasonable in light of the record. We therefore approve SCE's Application and authorize it to recover in rates payments made pursuant to the PPAs.

5.1. Evidentiary Standard and Burden of Proof

As the applicant utility in a ratesetting proceeding, SCE bears the burden of proof to demonstrate that the expenses it seeks to recover through rates are reasonable.⁴⁵ The Commission has ruled that an applicant has the burden of affirmatively establishing reasonableness in "all aspects" of its application.⁴⁶ Pursuant to the issues laid out in the Scoping Memo, the Commission will approve SCE's application upon a showing that its conduct with respect to the PRP DG RFO was reasonable, and that the PPA contracts are reasonably priced in light of the objectives served and compared to similar projects.

5.2. SCE's Conduct with Respect to the PRP DG RFO was Reasonable

As a threshold matter, we are satisfied that SCE facilitated an open, transparent bid process and responded reasonably to market conditions to increase participation and competition. The Commission's judgment on this issue is corroborated by the fact that ORA does not dispute the fairness of the process by which the PRP DG RFO was conducted.

⁴⁵ See *Re Southern California Edison Company* (1983) D.83-05-036.

⁴⁶ *In the Matter of the Application of California Water Company* (2003) D.03-09-021 at 17.

We disagree with ORA's reasoning that the PRP is outside the scope of this proceeding and that SCE therefore cannot justify the reasonableness of its conduct in launching the PRP DG RFO by referencing the PRP's objectives. Although the reasonableness of the PRP as a whole is not at issue in this proceeding, the fact of its existence and its goals as stated by SCE provide relevant context to assess the reasonableness of SCE's conduct in selecting the SunEdison PPAs. It is neither necessary nor desirable to evaluate the PPA contracts as if the PRP did not exist, as should be evident by our request in this proceeding for SCE to provide context on the PRP and its objectives in supplemental testimony. The Commission need not determine whether the entire PRP is reasonable to determine that SCE acted reasonably in the conduct of its RFO. SCE's choice to execute these particular PPAs must be evaluated against the stated objectives of the RFO, which include purposes related to the PRP.

SCE has established that it acted reasonably in setting eligibility criteria for and selecting projects from the PRP DG RFO in light of the RFO's objectives. The PPA projects are new-build, qualified renewable energy resources that will come online by March 31, 2018 to serve the Johanna substation geographical area and offset load growth in the SONGS region. The projects therefore meet the eligibility criteria set forth in the PRP DG RFO, and contribute towards SCE's stated goals for the RFO in terms of location, resource type, and timing.

The outcome of the RFO process was also reasonable in light of SCE's stated objectives. We are not persuaded by ORA's argument that SCE has not provided sufficient evidence in the form of metrics quantifying how the SunEdison PPAs achieve the goals of the RFO. As provided in its Supplemental

Testimony, SCE's stated goal in administering the PRP is to assess its ability to procure a diverse mix of resources in the PRP region by 2018.⁴⁷ SCE has also established that the presence of in-front-of-the-meter distributed generation resources in the SONGS local region is important to meeting that goal, and that its other procurement mechanisms have not succeeded in obtaining those resources.⁴⁸ Approving the PPAs will increase the amount of in-front-of-the-meter DG resources acquired in the region from zero megawatts (as of January 1, 2016) to almost 2.2 MWs.⁴⁹ This is sufficient evidence to establish that the PPAs will measurably contribute towards accomplishing the RFO's objectives, and that SCE acted reasonably with respect to the outcome of the PRP DG RFO.

5.3. The PPA Contracts are Reasonably Priced in Light of the Objectives Served and Compared to Similar Projects

The terms of the SunEdison PPAs, including prices, are reasonable in light of the RFO objectives and compared to similar projects obtained under other procurement mechanisms. ORA argues that because the reasonableness of the PRP overall is outside of the scope of this proceeding, the PRP's objectives cannot be used to assess the reasonableness of the PPA prices. We disagree, for the reasons stated above. The context provided by SCE in its testimony is sufficient for us to determine that the PPA contracts are reasonably priced in light of the RFO's objectives, prevailing market conditions, and results from SCE's other procurement mechanisms.

⁴⁷ Supplemental Testimony of SCE, at 3: line 7- line 13.

⁴⁸ *Id.*, at 3: line 14- at 4: line 5.

⁴⁹ *See id.*, at 4, Table II-1.

We find that it is reasonable to compare the prices of the SunEdison PPAs to the price of the SPVP 4 Santa Ana project, which SCE also selected for its ability to offset load in the SONGS local region, rather than to prices of similarly sized projects procured through SCE's RPS procurement mechanisms. Based on the low market response for projects in the SONGS region that precipitated the PRP DG RFO, it seems reasonable that projects that deliver those locational benefits would be relatively higher in price than projects bid into the procurement mechanisms that did not. The Santa Ana and SunEdison PPA prices are higher than those of similar projects bid into the RPS procurement mechanisms, but are comparable to each other. We find this to be reasonable.

In addition to meeting the objectives of the RFO, the PPA contracts are also consistent with state policy, including the RPS and the EPIC Investment Plan's IGP. Although the PPA projects are not necessary for SCE to reach its RPS targets, they are eligible renewable energy resources that meet the definition of RPS qualified Category 1 projects. As such, they can provide additional "banking" or "buffering" value within SCE's energy generation portfolio, as well as generally align with the environmental and energy policy goals of California's RPS legislation. The installation of additional distributed energy resources in the Johanna substation region can also enhance EPIC-funded efforts to study the impact of these resources on the grid.

The PPA projects do not need to be necessary to the RPS or EPIC endeavors to be reasonable, since both programs are separate from the stated goals of the RFO. However, SCE has shown that the PPA projects will contribute both to the RPS and to the EPIC program, so the fact that the projects benefit multiple objectives for ratepayers contributes to our determination that the PPAs are reasonable, and should be approved.

Although not within the record evidence associated with the narrow scope of this proceeding, it is also worth noting that SCE has been required by the Commission to conduct “preferred resource” procurement similar to this PRP DG RFO in several recent decisions, including D.13-02-015, D.14-03-004, and D.15-11-041, among others. Even if SCE does not have a compliance “need” for Category 1 RPS resources, as argued by ORA, SCE has a procurement “need” based on these referenced decisions as part of previous long-term procurement planning proceedings, to procure preferred resources such as the PPAs at issue in this proceeding.

As a general policy matter, we find it reasonable to encourage SCE to take steps to meet its procurement needs for preferred resources through creative means such as the PRP DG RFO and, contrary to ORA’s requests, we decline to discourage such activities by rejecting these relatively small PPAs. Activities such as the conduct of the PRP DG RFO provide opportunities to test procurement strategies for preferred resources, especially when faced with particular locational constraints as was the case here with the unexpected closure of SONGS.

6. Categorization and Need for Hearing

In the Scoping Memo issued March 4, 2016, the Commission categorized this proceeding as ratesetting and determined that hearings might be necessary. After reviewing the evidence presented in the parties’ briefs and testimony entered into the record, which were submitted in lieu of scheduling an evidentiary hearing, we have determined that hearings are no longer necessary.

7. Comments on Proposed Decision

As provided by Rule 14.3 of our Rules of Practice and Procedure and Pub. Util. Code § 311(g)(1), the proposed decision of the ALJ in this matter was

mailed to the parties on July 26, 2016. Comments were filed on August 15, 2016 by ORA. Reply comments were filed on August 22, 2016 by SCE.

ORA's comments contain eight separate complaints about the proposed decision. We discuss each one in turn below.

First, ORA argues that the proposed decision reaches conclusions that are out of scope for the proceeding. In particular, ORA argues that since SCE explicitly did not request approval of the PRP itself in this proceeding, the objectives of the PRP are not relevant for consideration of reasonableness of these contracts. In addition, ORA argues that the PRP was ruled out of scope in the scoping memo, and therefore cannot be considered in evaluating the reasonableness of the contracts.

Again, we disagree with ORA's reasoning. While the SCE did not ask the Commission to consider, nor did we adopt a scope to consider, the reasonableness of the PRP overall, we consider the reasonableness of these contracts against SCE's stated objectives as requested in its RFO. Embedded in the RFO request are necessarily aspects of SCE's overall PRP purposes, notably the need for local generation in the SONGS area. But this does not mean that the proceeding scope extends to the Commission considering an overall approval or rejection of the complete PRP. Just because we find some aspects of the PRP objectives to be reasonable in the conduct of this particular RFO does not mean we have exceeded the scope of this proceeding in so stating.

Second, ORA argues that SCE's Supplemental Testimony did not provide any additional facts or context beyond SCE's Prepared Testimony, except with respect to the funding arrangements between the PPAs at issue in this proceeding and the EPIC program. We agree with ORA that the proposed

decision's reference to the Supplemental Testimony was overly general and have corrected the relevant references to testimony in this decision.

Third, similar to its first argument, ORA argues that since the Commission has not determined that the objectives of the PRP are reasonable, we cannot conclude that these PPAs are reasonable in light of the PRP's objectives. As stated above, we are not making a determination of the reasonableness overall of the PRP and its objectives. We are, however, making a determination in this decision that the PPAs are reasonable in light of the RFO's objectives, which contain a reasonable relationship to the PRP, especially with respect to geographic region.

Fourth, ORA argues that the proposed decision commits legal error by shifting the burden of proof from the applicant to ORA, by stating that ORA did not dispute the fairness of the process by which the PRP DG RFO was conducted. We clarify that this statement in the proposed decision was simply a statement of fact. This statement alone does not serve to shift the burden of proof to ORA. SCE still must convince the Commission, based on its own evidence presented, that the conduct of its RFO was reasonable. This burden has been met by SCE's testimony in this case, as further discussed above. The statement about ORA's position on this particular issue is simply a fact to be noted.

In addition, ORA argues that the reasonableness of the RFO process does not constitute reasonableness of the resulting contracts themselves. The decision does not say that it does. These are two separate issues, both of which are covered in the discussion sections above.

Fifth, ORA argues that the PPAs in this application are not needed for RPS compliance and that finding that they contribute to the RPS is inconsistent with the scoping memo. However, the scoping memo in this proceeding clearly asks

whether the PPAs are RPS eligible and whether they will contribute to SCE's Category 1 needs. This decision finds that the answer is yes to both, consistent with the record in this proceeding.

Sixth, ORA argues that the prices of the PPAs are unreasonable compared to similarly-sized projects procured under the RPS program or other procurement mechanisms. Notably, the scoping memo talks only about comparing "similar" projects and not necessarily "similarly-sized" projects. As discussed above, the Commission's definition of "similar" can and should encompass other aspects of a project beyond just size, including geography/location, technology type, placement at the customer site, online date, etc. While we appreciate ORA's detailed analysis, it is within the discretion of the Commission to choose the appropriate comparison group for determining price reasonableness.

Next, ORA reiterates its argument that the PPAs are not needed for RPS purposes, specifically because based on ORA's analysis, SCE's category 1 RPS need is already filled and SCE only advanced an argument based on the value of banking the procurement in response to ORA's initial testimony. ORA is correct that we do not have a record on the size of SCE's bank of Category 1 RPS resources or the specific value of these PPAs relative to it. However, reaching a specific finding on the value of banking these PPAs is not necessary to find that the PPAs qualify as part of SCE's RPS Category 1 requirements.

Finally, ORA summarizes its arguments that the approval of the PPAs is not supported by the findings in this decision, chiefly because of the lack of Commission up-front approval of the PRP objectives themselves. We have clarified that the PRP itself is not at issue in this proceeding, but that the RFO

objectives included some aspects of the PRP, chiefly geography. This is reasonable.

SCE, in its reply comments, argues that ORA's comments are illogical, and request that the Commission adopt the proposed decision without material modification.

8. Assignment of Proceeding

Michel P. Florio is the assigned Commissioner and Julie A. Fitch is the assigned ALJ in this proceeding.

Findings of Fact

1. As the result of its 2015 PRP DG RFO, on November 25, 2015, SCE executed two power purchase agreements with SunEdison for a combined 2.2 MWs of in front of the meter solar photovoltaic projects.
2. The Bell Tustin project is 1,131 KWs in size and the Red Hill project is 1,036 KWs. Both projects are new-build, eligible renewable energy resources and consist of a combination of installations on existing building rooftops and carports to be constructed adjacent to existing buildings.
3. The projects are located in Orange County and interconnect to the Johanna substation. This geographic area falls within SCE's PRP region, which is impacted from a local energy and reliability standpoint by the 2012 retirement of SONGS, and the anticipated retirement of nearby ocean-cooled power plants.
4. The PRP is an internal effort to SCE and review of the overall PRP as a whole is not at issue in this proceeding.
5. The prices of the SunEdison PPAs are higher than those of similar sized renewable energy projects procured through other mechanisms. They are comparable in price to the Santa Ana project, which SCE procured through its

SPVP 4, and which was selected due to its location in the PRP region. The contract for the Santa Ana project has since terminated.

6. The projects are consistent with statutory requirements for eligible renewable energy resources and contribute towards SCE's RPS requirements.

7. The projects serve the same substation and are consistent with the research goals of the EPIC Investment Plan's IGP. Funding between the PPAs and the IGP does not overlap.

8. Portions of the evidentiary record in this proceeding, and ORA's brief, contain confidential information under the terms of the Commission's determinations in D.06-06-066.

Conclusions of Law

1. SCE conducted the PRP DG RFO in a fair and reasonable manner.

2. The terms and prices of the SunEdison PPAs are reasonable in light of the objectives served and compared to similar projects in the targeted geographic region.

3. SCE should be authorized to recover in rates payments made pursuant to the PPAs.

4. ORA's May 24, 2016 and SCE's May 25, 2016 motion to seal portions of the evidentiary record, and ORA's May 27, 2016 motion to file the confidential version of its brief under seal, should be granted for a period of three years after the effective date of this decision, as set forth in the order below.

5. SCE's and ORA's May 24, 2016 motions to move their testimony into the record should be granted as set forth in the order below.

6. A hearing is no longer necessary.

7. The Application should be approved.

8. This decision should take effect immediately.

O R D E R

IT IS ORDERED that:

1. The results of Southern California Edison's (SCE's) 2015 Preferred Resources Pilot Request for Offers are approved. SCE is authorized to enter into two power purchase agreements with SunEdison and to recover in rates payments made pursuant to these agreements.

2. The Office of Ratepayer Advocate's May 24, 2016 and Southern California Edison Company's May 25, 2016, respective Motions to Seal a Portion of the Evidentiary Record are granted. The confidential version of the evidentiary record shall remain under seal for a period of three years from the effective date of this decision, consistent with Decision 06-06-066.

3. The Office of Ratepayer Advocate's (ORA's) May 27, 2016 motion to file its Opening Brief under seal is granted. The confidential version of ORA's brief shall remain under seal for a period of three years from the effective date of this decision, consistent with Decision 06-06-066.

4. The Office of Ratepayer Advocates' (ORA's) May 24, 2016 Motion for Entry of Testimony into the Record is Granted as follows. The following exhibits are marked and entered into the record: ORA Exhibit 1, Testimony on the Application of Southern California Edison Company (U338) for Approval of the Results of its 2015 Preferred Resources Pilot Request for Offers (PRP DG RFO) (Confidential Version), served April 15, 2016; and ORA Exhibit 2, Testimony on the Application of Southern California Edison Company (U338) for Approval of the Results of its 2015 Preferred Resources Pilot Request for Offers (PRP DG RFO) (Public Version), served April 15, 2016.

5. Southern California Edison Company's (SCE's) Motion to Move Existing Testimony Into Formal Record of Proceeding is granted as follows. The

following exhibits are marked and entered into the record: Exhibits SCE-1 and SCE-1C, Testimony of Southern California Edison Company in Support of Application for Approval of the Results of its 2015 Preferred Resources Pilot Request for Offers (PRP DG RFO), public and confidential versions, respectively; Exhibit SCE-2, Supplemental Testimony of Southern California Edison Company in Support of Application for Approval of the Results of its 2015 Preferred Resources Pilot Request for Offers (PRP DG RFO); and Exhibit SCE-3, Rebuttal Testimony of Southern California Edison Company in Support of Application for Approval of the Results of its 2015 Preferred Resources Pilot Request for Offers (PRP DG RFO).

6. The determination in Resolution ALJ 176-3370 that hearings are necessary is changed to “hearings are not necessary.”

7. Application 15-12-013 is closed.

This order is effective today.

Dated September 15, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

LIANE M. RANDOLPH

Commissioners

Commissioner Carla J. Peterman, being necessarily absent, did not participate.